

MONTANA BOARD OF HOUSING

301 S Park Ave, Rm 226

Helena MT 59601

May 16, 2005

ROLL CALL OF BOARD

MEMBERS: Bob Thomas, Chairman (Present)
Judy Glendenning, Vice Chairman (Present)
J.P. Crowley, Secretary (Present)
Susan Moyer (Present)
Audrey Black Eagle (Present)
Jeff Rupp (Present)
Betsy Scanlin (Present)

STAFF: Bruce Brensdal, Executive Director
Bob Morgan, Single Family Program Manager
Scott Hoversland, Accounting & Finance Manager
Chuck Nemec, in-coming Accounting & Finance Manager
Jeannie Huntley, Promotion Manager
Gerald Watne, Multifamily Program Officer
Joice Franzen, Mortgage Loan Accountant
Becky Johnson, Mortgage Loan Accountant
Sandi Conrady, Single Family Program Specialist
Diana Hall, Administrative Assistant

COUNSEL: Pat Melby, Luxan and Murfitt
John Wagner, Kutak Rock

UNDERWRITERS: Peter Nolden, UPS Financial Services Inc.
Stephen Spitz, Orrick, Herrington & Sutcliffe
Gordon Hoven, Piper Jaffray

OTHERS: Sandy Shupe, Wells Fargo Bank
Shawn Hinton, Wells Fargo Bank
Ann Atkinson, Kutak Rock
Jerry Hoover, D. A. Davidson & Co
Cindy Donnell, USDA Rural Development

CALL MEETING TO ORDER & PUBLIC COMMENTS

Chairman Bob Thomas called the meeting to order at 8:30 a.m. He asked the Board, staff, and guests to introduce themselves. He asked for comments from the public.

APPROVAL OF MINUTES

Judy Glendenning moved to approve the April 20, 2005 Board minutes. Betsy Scanlin seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

PROMOTIONAL PROGRAM

Jeannie Huntley said that the Montana House has received great press and will be a feature at the Smithsonian. They are honoring the forest service and the Job Corps in a Folk Life exhibit and will display enlarged photos of the Job Corp kids with the Montana House from June 22 – July 4th. A fact sheet was presented for the Teacher's Program in the Bitterroot valley. The Plan Book will be reissued this fall. A market analysis revealed that most bookstores would like 1,000 copies on their shelves. Jeannie summarized the steps to start the Strategic Planning process. She would like a Board member from Helena to participate.

Jeff inquired about the role Montana Board of Housing (MBOH) plays in the Montana House and the number of houses per year. Bruce responded that the program is growing rapidly and other Job Corps are interested in the program. It is possible that the Anaconda Job Corp will be building 6 houses per year. Applications will be going out in June for people to apply for the Montana House.

ACCOUNTING PROGRAM

Charles Nemec and Scott Hoversland introduced Becky Johnson and Joice Franzen who gave a summary of the servicer reviews and training that they have conducted. They confirm: the name on loans, the balance matches MBOH's trial balance, the insurance deductible is correct and lists MBOH as the loss payee. The staff does training at the local level also and tries to reach all 40 servicers within the year.

Chuck presented the Budget Report for the third quarter, which showed 57% of the budget spent for 75% of the year elapsed.

Scott gave the average yield report & diversification report. The investments are in more than one place. He also gave the cost to market report.

SINGLE FAMILY PROGRAM

Bob Morgan gave the REO status report shows Montana Board of Housing (MBOH) has no properties at this time. He said the only properties that MBOH gets back are Rural Development properties because the other are conveyed to either VA for FHA. Bob gave the Mortgage Credit Certificate (MCC) summary report. The MCC Program has 29 certificates issued and 4 reserved.

Bruce said Board of Investments (BOI) requested MBOH to do the accounting on their residential mortgages in the past. They are now asking MBOH to do the origination also. Susan Moyer moved

to accept the staff recommendation to manage the reservation and purchasing functions for BOI according to the proposal presented. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Bob gave an update on the 2005 A Bridge Program. There have been 163 loans reserved for \$17,261,250 and 74 loans have been purchased for \$7,870,862 in the 2005 A Program. The daily activity report showed the amount of loans reserved each day. The Reservation Activity History compared the amount of reservations each month in 2004 with each month in 2005. Bob showed a report comparing MBOH interest rates with other states on a 30-year fixed rate. The zip code report shows the cities where loans have been reserved. Peter Nolden gave a market report and said rate will eventually go up. The interest rate was discussed and no action was taken.

Bob presented the setaside summary, which shows \$29,553,873 committed to setasides. He requested an additional \$1 million for the First-Time Homebuyers Savings Account Program (FTHB). Judy Glendenning moved to put \$1 million in the FTHB Saving Account Program. J P Crowley seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Bob said the Lot Refinance setaside is for people who have purchased a lot and still owe a balance. Susan Moyer moved to add \$1 million To the Lot Refinance Program. J P Crowley seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Bob said the rating agencies were contacted regarding the Genworth conventional PMI product. Peter said the coverage of loan to value ratio was high for the 91-95% loans. Bob asked Genworth to increase the PMI coverage from 30% to 35% for those loans for the same premium for the homeowner. MBOH has few Rural Development (RD) delinquencies and has asked the rating agencies to re-evaluate the foreclosure loss. John Wagner said that on a national basis, PMI insurance is well over 60% of the national market. Therefore, the current restrictions on insurance that is required by FHA is less appealing to the homebuyers. Bob said other states and our servicers are pleased with GE Genworth. Judy Glendenning moved to proceed with the PMI insurance with Genworth. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Bob presented an article that honored Judy Glendenning as the 2005 Memorial Scholarship recipient from her local realtor association.

MULTIFAMILY PROGRAM

Gerald Watne informed the Board that no financial information was received for the sale of the Preservation Project. Also, there were no Reverse Annuity Mortgage (RAM) exceptions for the month.

Gerald said the Tax Credit Workshop was May 10 & 11 in Livingston was well attended. Mat will present a draft of the Qualified Allocation Plan (QAP) next month.

The Orchard Grove Tax Credit Project in Missoula was tentatively approved for a risk-share loan last meeting. HUD reviewed the application and they determined that it did not qualify because some of the dirt had been turned. MBOH is requesting HUD to reconsider the application.

Lance Sekora of the Multifamily staff has resigned.

EXECUTIVE DIRECTOR'S UPDATE

Betsy Scanlin authorized staff to change the rate ¼% either up or down. J P Crowley seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Bruce said Bob Morgan's position has been advertised and closes at the end of the month.

The NCSHB workshop will be August 14-16 in Colorado Springs. Bruce asked who wanted to attend. J P Crowley expressed interest in the Tax Credit Conference in Seattle.

The bond pre-closing will be after the meeting. The final closing is the morning of the 17th.

Susan asked the Board to consider having a Board member from the financial arena (like a banker) on the Board. Right now state legislation requires that an attorney be on the Board. Betsy said the Real estate field would be valuable also. Jeff respected the current process and does not want to tie the Governor's hand. Staff will prepare something to be submitted to the legislature.

Jeff Rupp suggested having meeting materials in the advance packets. Betsy concurred. Judy asked that the Board be e-mailed when interest rates change.

Bruce discussed future meeting dates and locations. The next meeting is scheduled for June 14th in Big Timber. Meetings are tentatively scheduled for July 18th in Missoula, August 23rd in Libby, September 12th in Red Lodge, October 17th in Helena, and November 21st in Helena.

The meeting adjourned at 10:25 a.m.

J. P. Crowley, Secretary

Date